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Dear Mr. Vander Jagt:

This is in response to your letter of August 17 transmitting a letter from Henry Van Hees concerning the sale of U.S. butter to New Zealand.

The Commodity Credit Corporation (CCC), part of the U.S. Department of Agriculture, purchases dairy products under the federal dairy price support program. These purchases have increased rapidly in the past two years and led to the creation of a large and expensive stock of surplus dairy products, including butter. The CCC uses some of these products in the school lunch program and other activities, but purchases have far exceeded the CCC's ability to use the products. It is not possible to distribute the butter domestically without undermining the supported price and further increasing the cost of the price support program. Thus the Administration decided to export some of the surplus to New Zealand, in order to reduce the costs of holding the butter stocks and to recoup some of the money invested in purchasing the butter in the first place.

The Department of Agriculture can provide additional information on the rationale for and operation of the dairy price support program.

Sincerely,

Richard Fairbanks
Assistant Secretary for
Congressional Relations

Enclosure:

Correspondence returned

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The Honorable
Guy Vander Jagt,
House of Representatives.

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